

Message Text

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ORIGIN EB-07

INFO OCT-01 ISO-00 AF-06 ARA-10 EA-10 EUR-12 NEA-10 IO-10

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FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY LONDON

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

AMEMBASSY LUXEMBOURG

AMCONSUL BELIZE

AMEMBASSY CANBERRA

AMCONSUL GUAYAQUIL

AMCONSUL RECIFE

AMEMBASSY OTTAWA

AMEMBASSY LONDON

AMCONSUL MARTINIQUE

USMISSION GENEVA

USMISSION OECD PARIS

USCINCSO

AMCONSUL BELIZE

AMEMBASSY PORT LOUIS

AMEMBASSY PRETORIA

AMCONSUL DURBAN

AMEMBASSY SUVA

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USMISSION EC BRUSSELS

AMEMBASSY NEW DELHI

AMEMBASSY MANILA

AMEMBASSY BANGKOK

AMEMBASSY TANANARIVE
AMEMBASSY BLANTYRE
AMEMBASSY DUBLIN
AMEMBASSY TAIPEI
AMCONSUL RIO DE JANEIRO
AMEMBASSY MBABANE
XMT AMEMBASSY NASSAU
AMEMBASSY SANTIAGO
AMEMBASSY MONTEVIDEO

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: HOUSE OF REPRESENTATIVES SUGAR HEARINGS:
PRESENTATIONS OF FOREIGN REPRESENTATIVES

REF: (A) STATE 141876 (B) STATE 61168(NOTAL)

1. REPRESENTATIVES OF NICARAGUA, HONDURAS, EL SALVADOR,
GUATEMALA, AUSTRALIA, COSTA RICA, THE PHILIPPINES, MAURITUIS,
BRAZIL, THE CARICOM NATIONS, ECUADOR, PANAMA, BELIZE,
SWAZILAND, MALAWI, THAILAND, PARAGUAY AND MEXICO APPEARED
BEFORE THE HOUSE AGRICULTURE COMMITTEE ON FRIDAY JULY 18,
1975. SOUTH AFRICA AND THE DOMINICAN REPUBLIC SUBMITTED
STATEMENTS BUT DID NOT HAVE REPRESENTATIVES APPEAR.

2. ALL REPRESENTATIVES SPOKE IN FAVOR OF SOME FORM OF SUGAR
LEGISLATION. MOST FAVORED A PROGRAM SIMILAR TO THE NOW
EXPIRED U.S. SUGAR ACT. ALL FAVORED A COUNTRY QUOTA SYSTEM
WITH FAVORABLE CONSIDERATION FOR THE EXPORTERS THEY
REPRESENT. FEW NEW ARGUMENTS IN FAVOR OF A NEW SUGAR ACT
WERE MADE. ARGUMENTS ON STABILITY OF SUPPLY AND COMMITT-
MENT TO THE U.S. MARKET PREVADED STATEMENTS IN FAVOR OF
THE ACT. ALL SPEAKERS STRESSED THE PRISTINE PERFORMANCE
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OF THEIR CLIENTS AS U.S. SUPPLIERS. BRAZIL, AUSTRALIA,
SWAZILAND AND MALAWI PRESENTED LARGE QUANTITIES OF BACK-

GROUND MATERIAL IN SUGAR IN THE ECONOMIES OF THEIR CLIENTS.

3. ACTIVITIES ON THE HOUSE FLOOR REDUCED COMMITTEE
ATTENDANCE TO A TOKEN, PRINCIPALLY REPRESENTING MEMBERS
WHO HAVE A LONG STANDING INTEREST IN SUGAR. COMMITTEE
MEMBERS GAVE SPEAKERS A WARM AND FRIENDLY RECEPTION.

4. QUESTIONS WERE SYMPATHETIC AND GENERALLY DREW RESPONSES
FAVORING A NEW SUGAR ACT. THE PHILIPPINES REPRESENTATIVES
(MESSERS. O'DONNELL AND MYERS) WERE QUERIED ON EMBARGOES

IMPOSED BY PRESIDENT MARCOS ON SUGAR EXPORTS AND ON PHILIPPINE SALES TO COMMUNIST MARKETS. THE RESPONSE WAS THAT THE REPRESENTATIVES KNEW NOTHING OF EITHER SUBJECT.

5. SEVERAL QUESTIONS WERE ASKED ON LONG TERM CONTRACTS BETWEEN U.S. IMPORTERS AND FOREIGN EXPORTERS- (PRINCIPALLY BY CONGRESSMAN BERGLAND ILL.) - THE MAURITIUS REPRESENTATIVE (JOHN H. SHARON) RESPONDED THAT MAURITIUS IS NEGOTIATING A 25/50,000 TON PER YEAR CONTRACT FOR 5 YEARS WITH A U.S. IMPORTER, WITH (DAVID TODD SPEAKING FOR NICARAGUA CONFIRMED) A FLOOR PRICE OF 14/15 CENTS PER POUND AND A MAXIMUM PRICE OF NEAR 40 CENTS PER POUND, WITH A SHARING OF BENEFITS ABOVE THAT FIGURE, AND AN OPTION FOR AN INCREASE IN THE CONTRACT SIZE. DAVID TODD, SPEAKING FOR NICARAGUA CONFIRMED A 25,000 CONTRACT WITH A U.S. PRIVATE IMPORTER. COSTA RICA (DINA DELLALE) CONFIRMED SIMILAR NEGOTIATIONS WITH TWO U.S. INDUSTRIAL USERS OF SUGAR. BRAZIL (ALBERT S. NEMIR) WAS MORE RETICENT TO SPEAK UP ON THIS POINT BUT DID SAY DISCUSSIONS WITH U.S. REFINERS WERE UNDER WAY, BUT POINTED OUT THAT IT WAS DIFFICULT TO BARGAIN ON PRICES. UNDER A DIRECT QUERY ALONG THESE LINES (ARTHUR L. QUINN) REPRESENTING THE WEST INDIES, ECUADOR, PANAMA AND BELIZE STATED THAT HIS CLIENTS WERE NOT IN FAVOR OF LONG TERM CONTRACTING WITH U.S. INDUSTRIAL USERS AS LONG AS A NEW SUGAR ACT MIGHT BE IN THE OFFING. HE SAID HIS CLIENTS QUOTE TURNED THEIR THUMBS DOWN UNQUOTE ON SUCH ARRANGEMENTS. THEY PREFER GOVERNMENT TO GOVERNMENT ARRANGEMENTS.

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6. CONGRESSMAN BERGLAND POINTED OUT THAT THESE CONTRACTS ARE ONLY AVAILABLE TO MAJOR USERS OF SUGAR, SO SMALL USERS DO NOT HAVE AN EQUAL COMPETITIVE POSITION IN SUCH ARRANGEMENTS. MR. QUINN THEN STATED HIS INABILITY TO SEE THE VALIDITY OF SUCH LONG TERM ARRANGEMENTS.

7. BERGLAND ASKED WHAT THE GROUP THOUGHT OF A NEW ACT WITH FLOOR AND CEILING PRICES WITH A 10 CENT RANGE BETWEEN THEM. MAURITIUS RESPONSE WAS THAT IT WAS OPEN MINDED ON THIS AS LONG AS THE COST OF PRODUCTION WAS MET. COSTA

RICA EXPLAINED THE SUPPLY COMMITMENT FORMULA USED IN THE LAST INTERNATIONAL SUGAR AGREEMENT AND MADE A FAVORABLE PARALLEL BETWEEN THAT AND THE FLOOR AND CEILING CONCEPT. THE COSTA RICAN REPRESENTATIVE SAID THAT QUOTE 10 CENTS IS A NICE RANGE UNQUOTE. MOST EXPORTERS SEEMED INCLINED TO FAVOR A MINIMUM AND MAXIMUM PRICE RANGE CONSTRUCTION. THE CENTRAL AMERICAN REPRESENTATIVE (TODD) SAID ANY RANGE WOULD HAVE TO TAKE CURRENT INFLATED IMPORT COSTS INTO ACCOUNT.

8. A REFERENCE WAS MADE BY ONE CONGRESSMAN TO THAILAND'S

STABILITY AND RELIABILITY AS A SUGAR SUPPLIER AS STATED BY MR. SCOTT C. WHITNEY, THEIR SPOKESMAN, IN THE CONTEXT OF QUOTE PRESSURES FROM NEIGHBORING COUNTRIES WHICH CAN OR MAY BE A FACTOR UNQUOTE. THE RESPONSE WAS EVASIVE AND THE QUESTIONING WAS NOT PERSUDED.

9. AUSTRALIA SPOKE STRONGLY IN FAVOR OF A NEW INTERNATIONAL SUGAR AGREEMENT (MR. ROBERT BARNARD). THE AUSTRALIAN STATEMENT MADE REFERENCE TO THE STATEMENT MADE BY JULIUS L. IATZ SPEAKING FOR THE STATE DEPARTMENT ON JULY 14, 1975 IN WHICH MR. KATZ SAID QUOTE SHOULD THE INTERNATIONAL SUGAR COUNCIL DECIDE TO OPEN NEGOTIATIONS FOR A NEW SUGAR AGREEMENT LATER THIS YEAR OR NEXT, IT WOULD BE OUR INTENTION TO PARTICIPATE ACTIVELY IN THE NEGOTIATIONS. WHETHER WE WILL BE A MEMBER OF ANY NEW AGREEMENT WILL, HOWEVER, DEPEND ON A NUMBER OF CONSIDERATIONS INCLUDING OUR EVALUATION OF THIS AGREEMENT NEGOTIATED AND THE FUTURE COURSE OF U.S. SUGAR POLICY. UNQUOTE.

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10. FOR ARA POSTS: REFERENCES WERE FREQUENTLY MADE TO A LATIN AMERICAN SUGAR CARTEL. DEPUTY ASSISTANT SECRETARY KATZ AND REPRESENTATIVES OF MANY OTHER WITNESSES ADDRESSED THIS ISSUE. THE CONSENSUS WAS THAT IT IS QUESTIONABLE WHETHER SUGAR PRODUCERS CAN REGULATE PRICE FOR ANY SIGNIFICANT PERIOD OF TIME WITHOUT CONSUMER COOPERATION. MR. KATZ STATED QUOTE CARTEL ARRANGEMENTS ARE INHERENTLY UNSTABLE AND CAN ENDURE ONLY SO LONG AS IT TAKES FOR A SUPPLY RESPONSE TO UNDERMINE THE CARTEL. FOR SUGAR-UNLIKE PETROLEUM-THE SUPPLY RESPONSE WOULD NOT BE LONG IN COMING UNQUOTE. MATERIAL FURNISHED BY ARA POSTS IN RESPONSE TO REFTEL PROVED OF UTMOST VALUE. POSTS ARE HIGHLY COMMENDED FOR THEIR IN DEPTH, THROUGH, WELL BALANCED COVERAGE OF THE PUERTO PLATA MEETING. SANTO DOMINGO A-46 WAS PARTICULARLY USEFUL.

11. COMMENT. BOTH DOMESTIC PRODUCERS AND FOREIGN PRODUCERS SPOKE IN FAVOR OF A SWEETNER ACT TO ENCOMPASS ALL SWEETNER PRODUCTS, BUT THIS SEEMED TO RECEIVE LITTLE FAVOR AMONG COMMITTEE MEMBERS. THE CONCURRENCE OF VIEWS AMONG DOMESTIC SUGAR INDUSTRY ELEMENTS NECESSARY FOR ENACTMENT OF SUGAR LEGISLATION APPEARS ABSENT FOR THE MOMENT. A CONSENSUS ON WHAT IS DESIRED AND THE COMPROMISES NECESSARY TO ACHIEVE THE GOALS HAVE NOT BEEN MADE. A CONSENSUS THIS YEAR APPEARS UNLIKELY. WHAT 1976 MIGHT BRING IS A MORE OPEN QUESTION. SUGAR PRICES ARE EXPECTED TO DECLINE AS U.S. AND EUROPEAN BEET CROPS ARE HARVESTED. IF PRICES DECLINE TO BELOW U.S. COSTS OF PRODUCTION, PRESSURE FOR A NEW ACT

IS LIKELY TO INCREASE.

12. POSTS ARE COMMENDED FOR THEIR EXCELLENT RESPONSE ON

SHORT NOTICE TO REFTEL A. THE INFORMATION PROVIDED PROVED
INVALUABLE IN RESPONDING TO CONGRESSIONAL QUESTIONS,
PARTICULARLY IN AN INFORMAL SESSION BETWEEN STATE OFFICERS
AND HOUSE AGRICULTURE COMMITTEE MEMBERS ON JULY 10.
FURTHER REFINING OF THE DATA ON AN AS AVAILABLE BASIS
WOULD PROVE USEFUL. KISSINGER

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